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SUBJECT: MIGRANTS FUEL SHAANXI PROVINCE'S RURAL ECONOMY

SUMMARY

1. (SBU) Rural-to-urban migration is the primary driver of Shaanxi Province's rural economy -- even in one village that receives strong financial support from the local government and an American NGO. Rural residents in Shaanxi are increasingly looking for opportunities in urban areas for both wage labor employment and education for their children. At least 50 percent of rural incomes are derived from migrant remittances, which are wired home through local banks. With so much labor movement to the cities, farmers and researchers in the province believe the hukou registration system has little practical influence on the lives of rural residents. END SUMMARY.

WHITE HOUSE FELLOWS VISIT TO CHINA

2. (SBU) A delegation of 12 White House Fellows visited China May 19-26 with stops in Xian and Beijing. The visit covered a wide range of issues but focused primarily on economic development. The White House Fellows visited An Shang Village, located two hours west of Xian in Fufeng County, and exchanged views with village leaders. The delegation spent the night in the village on May 20, and they taught English at Fufeng High School during morning classes and discussed rural development with researchers at the Shaanxi Academy of Social Sciences on May 21.

AN SHANG VILLAGE: THE HEART OF THE NEW COUNTRYSIDE

3. (SBU) An Shang Village's economy has developed rapidly during the past four years. According to An Wei, a village leader and a member of the Sino-American Society, An Shang's establishment in September 2003 of a Village Congress to improve governance and manage affairs kick-started a series of economic and political reforms that improved livelihoods for the 410 families (1,598 people) in the village. An Shang completed its power supply system in 2003 and, with the help of local government funding, its first paved road in 2004. In 2005, An Shang Village, with funding from Global Volunteers, a Minnesota-based NGO, launched Project Peace to build a new school in the village. The village opened a folk art gallery in April 2007 to help attract tourists to An Shang.

4. (SBU) In the short term, An Shang's agricultural economy is based

on grain production and small livestock businesses, An Wei said. Over the longer term, however, An Shang's local leaders are focused on education as a means to break the cycle of poverty. The village's goal is to have 100 college graduates by 2012, and An Shang established an Education Committee, a volunteer organization, to work alongside the Party Committee and Village Committee and raise the profile of education issues in An Shang.

MIGRANTS FUELING RURAL ECONOMY, DRAINING POPULATION

15. (SBU) Just as in many other villages across China, the most important driver for the rural economy remains rural-to-urban migration. According to An Wei, approximately 260 residents of An Shang have migrated to cities in Shaanxi Province, leaving the village with few young people. Feng Jiedong, the Vice Chairman of the Village Education Committee, said that approximately 50 percent of village incomes are derived from migrant remittances, which are wired to relatives in the village via the Agricultural Bank of China (ABC), Rural Credit Cooperative (RCC), or Postal Savings Bank. One farmer with a motorcycle told Econoff that motorcycles costing approximately RMB 4,000 (USD 500) are increasingly common, but none of the higher end consumer goods or nice houses would be possible without funding from outside sources, including migrant remittances or relatives living overseas.

16. (SBU) Shi Ying, Deputy Director of the Shaanxi Provincial Academy of Social Sciences, said that An Shang's experience with rural-to-urban migration is representative of the province as a whole. In southern Shaanxi, which is poorer than other regions, as much as 70 percent of rural incomes are derived from migrant remittances, and more than half of the villagers have moved to urban areas. Migrants are so prevalent in Xian, Shaanxi's capital, that

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Shi estimates 1 million of the city's 7 million residents are migrants working in the construction industry. As a result, the countryside is experiencing negative population growth, and rural residents are increasingly concerned about education for children whose parents are away from home.

MOVING FORWARD WITH HUKOU REGISTRATION REFORM

17. (SBU) With labor moving virtually freely throughout the province, Shi said that the hukou registration system has little impact on labor mobility. In Shaanxi Province, there still exists a distinction between a rural registration and urban registration, but the province slowly is eliminating that distinction per Central Government guidance. For poor areas in Western China, including Shaanxi Province, providing equal levels of services (health care, education, social welfare) in urban and rural areas remains the greatest challenge due to lack of financial resources. But in general, there is little practical difference in a legal sense between rural and urban residents, Shi said.

18. (SBU) Comment: Lack of practical difference regarding the hukou registration reflects intra-provincial movement only. If Shaanxi residents wanted to relocate to Shanghai, for example, they would be unable to obtain social services and residency benefits under current rules. End Comment.

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